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VOL. 20 NO. 6
JUNE 1984

The Bulletin

Defense Contract Audit Agency/Cameron Station, Alexandria, VA 22314

You and your suggestion program

By Roger Kriesch
Personnel Management Specialist
Headquarters

It's Up to You to Get Involved

Numerous opportunities exist for improving operations and services at all levels of DCAA, and everyone can take advantage of them, no matter what your grade or occupation. An effective suggestion program benefits everyone: the federal government, because good suggestions result in improved productivity and services; the American People, because these improvements reduce the cost of government and help fight inflation; and you, because you receive recognition and reward for an adopted suggestion and reap a two-fold benefit as a taxpayer, as well as a federal employee.

Suggestion Tips for Employees

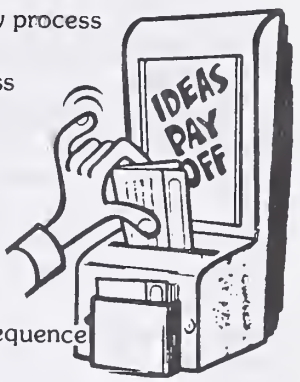
Under provisions of the Federal Incentive Awards Program, you may receive an award for an adopted suggestion, whether adopted as submitted or in part, that directly contributes to economy or efficiency or directly increases effectiveness of government operations.

Cash awards range from $25 to $25,000 and the amount given is in proportion to the first year benefits realized by the government as a result of your contribution. You have a much better chance of having your suggestion adopted if you begin with something you know, for example, the work of your own unit. Ask yourself: What? Where? When? Who? How?

Look at — The make-ready process
Action process
Put-away process

Look at — Bottlenecks
Delays
Wasted Time
Wasted Motion

Improve by — Eliminating
Combining
Changing Sequence
Simplifying
Substituting



ASK — can I suggest a way to:

- eliminate or reduce procedures or work activities
- eliminate any component parts
- eliminate or combine a process
- rearrange operations for a better sequence
- combine or simplify reports to make them more useful
- eliminate the need for a form
- combine two forms
- design a new form to do a better job
- save time in the work of the office
- save on supplies, utilities, equipment costs
- level off peaks and valleys in workloads to allow better use of manhours

If you have trouble expressing it exactly the way you would like, talk it over with your supervisor. It is an integral part of a supervisor's responsibilities to encourage and help employees submit suggestions, so you should not hesitate to seek advice and assistance.

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Director's message

A question in the minds of many DCAA managers, as well as employees, is: Why have a suggestion program? If all humans believe there could be no better way of doing things, we might still hunt with bows ands arrows or travel by ox cart. Even at that, it was no single, simple step from bow to modern rifle or from ox cart to a lunar landing. The changes occurred slowly over the centuries, growing out of multitudes of small improvements. So, the search for perfection never ends, and from this search comes an infinite stream of improvements. Such is progress! Until that unlikely day when we attain total efficiency in all our work activities, there will always be a place for the suggestion system as a means of management improvement.

The great majority of improvements in our world did not come by accident, but rather as a result of human ingenuity, an awareness of imperfection, and the constant search for improvement. When an improvement - no matter how small - is made, it marks its discoverer as a person of imagination with an active interest in his or her work. Those who continually search for improvement are a credit to themselves, their supervisors and the Agency as a whole.

In private business, leverage is what the entrepreneur seeks above all, meaning that he or she strives to own large enterprises with a minimum investment. But in DCAA, the leverage is measured largely in human terms, rather than fiscal. If we want to maximize our efforts, we must concentrate on leadership, thereby getting the most from a unit of labor. If Agency management merely increase their own individual efforts and ignore their staff, they waste the invaluable leverage built into our organization.

One of the areas which concern supervisors and employees alike is the apparent conflict between the idea of rewarding someone for a suggestion, and the concept that an employee's work time and output belong to the Agency. Bear in mind that, as in the case of the Performance Award, the government is recognizing the suggestion as an exceptional piece of work. Remember, too, that the usual job description requires reasonable not extraordinary diligency in performing a job in an expected and prescribed way. Even if the person in question happens to be a supervisor, the rule of thumb is: If the individual has the right to adopt and implement a suggestion involving his or her immediate work area without recourse to higher authority, probably no cash award is indicated (although the suggestion may be adopted).

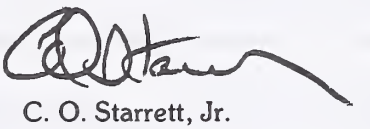
However, if the suggestion is adopted elsewhere in the Agency where the employee has no responsibility or authority whatsoever, the employee is most likely entitled to a cash award. What helps to keep the suggestion system in balance is the minimum requirement that $250 be accrued in benefits before a suggestion qualifies for a cash award. Among other things, this minimum tends to eliminate those minor procedural modifications which the employee probably could and should institute in the course of performing the job. In deciding whether the suggestor is due a cash award or not there must be a common sense balance between considering every suggestion a "job-related duty" or not job-related and pay for the employee's service twice. The first extreme would quickly kill the employee suggestion program and deny the government the benefits of future suggestions, while the second would unduly increase operating costs.

We in DCAA management have taken great pride in involving our employees in management activities (e.g., Olive Branch Conferences, Ad Hoc Study groups (M/ASSC), Regional FAO Conferences, Director's

Research Fellowship Program, etc.) in a way that employees are encouraged to draw upon their skills and capabilities and become a partner with Agency management in finding ways to get our work done more efficiently and effectively. While these joint efforts have been enormously successful, we do not want to overlook the potential contributions individual employees can make. Their unaired views and innovative thinking on how to improve our operations are no less important than those of the formally organized groups. We need to unleash the creativity of all our employees and help the Agency change to become more effective. The suggestion program offers a vehicle for tapping this often unused resource. There is no doubt that the success of our organization depends upon the personal commitment to excellence of all our employees.

Supervisors and employees, should remember that making a beneficial suggestion is not always easy. Many of the better ones require detailed investigation, plus intensive thought and redrafting to make them workable. After all his or her work, the suggester faces skepticism, if not rejection of the idea. And this is why it is so important for suggestors to check the suggestion for completeness, clarity, and make sure it proposes usuable and workable methods. Ask your superiors to look over your idea. He or she may help you better illustrate the benefits to management.

Finally, I want it to be known to every DCAA employee that it is our policy and desire that they be given the opportunity to innovate, to challenge previous methods of operation, and expect rewards for their special contributions. You can make the system really work. I urge your personal commitment to finding ways for improving the Agency performance so that it better serves the defense acquisition community. In this way, we can guarantee the current and future effectiveness of our Agency.



C. O. Starrett, Jr.

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"The Bulletin" is the official newsletter of the Defense Contract Audit Agency, Cameron Station, Alexandria, Virginia 22314. This newsletter is published monthly for Agency employees and does not necessarily reflect the official views of the Department of Defense.

"The Bulletin" is not copyrighted; however, if material is reprinted, appropriate newsletter name and author should be included in the reprint and a tear sheet sent to this editor. "The Bulletin" is prepared by the Records and Publications Branch of DCAA.

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Some ideas need more than words to illustrate clearly and quickly what they are -- a picture is worth more than 10,000 words.

If you follow these pointers, you will have gone a long way toward having your suggestion adopted.

Tips for Supervisors

As a supervisor, not only do you have a basic responsibility to improve the effectiveness of your operations, but it is particularly important that you motivate your employees to increase productivity and to come forward with ideas for improvement and cost reduction in government operations.

There is nothing you can do to make an employee exercise initiative, ingenuity or resourcefulness. You can only invite and encourage.

Be receptive. You will get more and better suggestions if you offer encouragement and convince those who work for you of your sincere interest by promptly recognizing deserving employees. If your are impatient, too busy, or indifferent, you build a wall between yourself and employees.

Give credit freely. A high return in worker loyalty will be your reward. Recognizing an employee's contribution is good management and marks you as a good supervisor.

Be appreciative. Many employee ideas concern minor improvements, but even a small improvement is a step in the right direction.

Be specific. When a suggestion is not adopted, an employee is entitled to an explanation of why his or her idea won't be used. This may require some effort on your part, but will gain the employee's confidence.

Help prepare suggestions. An employee may not have your technical skill or your ability to put an idea in writing. You will demonstrate the traits of a good supervisor when you offer to help your employees.

Respect an employee's idea. An employee's ideas are of major importance to the employee and they deserve courteous and thorough consideration. When an employee devotes his or her time and effort to improving operations, it is only natural for the employee to expect credit and recognition.

Look for the related idea. If the employee's idea is not practical but reveals an alternative which solves the problem, give the employee full credit for the alternative solution.

Encourage suggestions. Your encouragement will spur employees to think constructively and develop work patterns for finding better ways to do their jobs. You will help build enthusiasm.

Tips for Suggestion Evaluators

- If the suggestion contains even a particle of an idea that is feasible, get together with the employee and rework it.
- If the idea is practical and can be adopted, take action immediately to put it into effect, or if it requires higher authority approval, indicate in writing your opinion so your supervisor will realize the benefits to be derived from acceptance.
- Complete evaluation forms immediately. The suggester is entitled to the courtesy of a prompt reply. If the adoption of a suggestion requires extended time for higher level concurrence, computer reprogramming, or redesign of forms, indicate the reason for delay and when the suggester will be notified of a decision.
- If there are dollar savings involved, be explicit in your estimate, explaining computation carefully in order that those reviewing the evaluation will understand the basis for the total amount of savings claimed.
- If the idea cannot be adopted, explain specifically and in detail so that the suggester will feel that it has received careful consideration and will be satisfied with the reasons given.
- Above all, be fair, both to the suggester and to your organization. Do not approach the suggestion with preconceived ideas; don't have the attitude that suggested changes are a criticism of your methods as a supervisor. Be open-minded — it will be to your credit.

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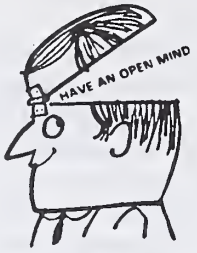

Some Pointers for FAO Managers

Demonstrate the desire for increased employee participation by:

— Asking for it

— Setting program goals

— Participating in awards presentations

—Assuring that subordinate supervisors know that top management has an active interest in the program and is giving it their support

— Giving recognition to subordinate supervisors who develop a working climate in which employees contribute their ideas

Get subordinate supervisors to show their support for the program by:

— Offering to help, and following through to help employees develop ideas

— Discussing the job with employees to solicit their ideas for improvements

—Explaining non-acceptance of ideas to employees

The suggestion program can be a driving force within the Agency to effect ways to improve our mission, and can also go a long way toward increasing the productivity and satisfaction of our employees.

Some federal employee achievements

Since 1954, the federal government's suggestion program has provided an important means of encouraging employees to use their creative skills and abilities in the development of constructive ideas that have meant improvement in operations and services.

The following will depict some employee ideas which, for the most part, have gone unnoticed by the general public.

Savings to the government of more than $30 million, and the successful first flight of the space shuttle, resulted from creativity and determination of a NASA employee at the Johnson Space Center, Houston, Tx. The employee recognized the problems in designing engines that could be used to test fly the 75-ton space shuttle orbiter and proposed and convinced NASA authorities that a modified Boeing 747 could be used as a ferry aircraft and airborne launch platform for the shuttle.

A medical research scientist at the National Institute of Health, has discovered how cancer cells invade and spread through the body. He learned how enzymes digest the walls of blood vessels and permit cancer cells to spread through circulation.. The mechanism was also discovered by which tumor cells can attach and adhere to vessel walls prior to digesting them. These discoveries give promise of leading to new chemical approaches to control the spread of cancer.

A small inexpensive device was invented by a NASA aerospace technician which will permit considerable savings in use of electrical energy. The "power factor controller" cuts power consumption by 30-60 percent on such things as typewriters, washers, fans, refrigerators and industrial sewing machines. Electrical motors will run cooler and quieter and at a constant speed, thus extending the life of electrical motors. It has been estimated that a mere four percent reduction of power used in the nation's electric motors can save one quarter million barrels of oil each day and more than $1 billion annually.

An Agriculture Department Forest Products Laboratory research team in Madison, Wis. developed a practical and efficient process to peel veneer from logs formerly considered unpeelable. Through the team's innovative efforts, increases in yields from logs have saved America's wood products industry approximately $75-85 million each year.

A new chemical product named Pro-Drone was developed by an Agricultural Research Center chemist to

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control the dangerous red fire ants that have been responsible for killing humans and livestock and disrupting farm operations in 13 southern states for more than four decades. The Pro-Drone does not kill ants but causes their offspring to develop into drones that do not reproduce nor do they work. Without worker ants to carry food to the nest, the fire ants starve to death.

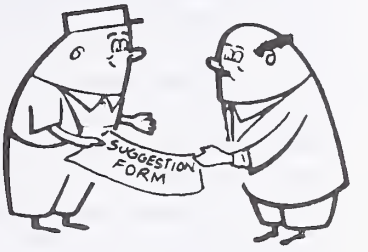
Lapel Pin

A good way to keep employees thinking about submitting beneficial suggestions is to remind them that there is an Agency suggestion program. We have selected a lapel pin in the form of a light bulb, imprinted with the message "In DCAA, Bright Ideas Pay," as a promotional item. The pin would be given to those employees who submit approved suggestions and be in addition to any cash award due.

Even the best ideas won't pay if you don't submit them! Here are four easy steps to get some extra cash and recognition.

A. **Do some creative thinking--look around your work place; perhaps talk to your co-workers and supervisor.**

B. **Pick up a suggestion form from your office.**



C. **Write or type your idea(s) on the suggestion form in this format:**

1. **Present situation or practice**
2. **Cite changes needed, improvements**
3. **Show the benefit(s), SAVINGS**

Any Incentive Awards staff member will be happy to assist you.

D. **Give or send your completed suggestion form to the personnel office. The Incentive Awards staff will then begin the process of assisting you in GETTING THOSE EXTRA BUCKS!**

Perseverance pays off!! BIG

The San Francisco Region recently had cause to celebrate when a long drawn-out battle on a cost allocation dispute with the Boeing Company was finally won. The battle lasted more than 10 years and involved at least 27 different DCAA auditors who each contributed to the eventual successful resolution of the issue. Among these was Bob Hubbard, Chicago Regional Director, who was resident auditor at Boeing when the issue was first raised as a CAS 403 noncompliance audit report.

The whole story is capsulated in a letter of appreciation sent by Bernie Topf, San Francisco Regional Director, to the auditors involved.

The Letter of Appreciation

"Recently I received a call from Joel Giskin, Air Force Corporate Administrative Contracting Officer (CACO), the Boeing Company, Seattle, Wa. He called to express his deep appreciation for the excellent assistance that many DCAA auditors have provided over the past 10 years in conjunction with the Boeing CAS 403 noncompliance issue on allocation of state and local taxes. It was a long, hard, drawn-out battle, with many discouraging moments, but in the end we were gratified that our position was sustained.

"The matter had its inception in a CAS 403 noncompliance audit report issued in August 1973, and concerned Boeing's attempt to allocate state and local taxes that properly belonged to its commercial work to government contracts. The issue proceeded from the contracting officer's final decision to an ASBCA case, then to the U.S. Court of Claims, and finally to the U.S. Supreme Court. At all levels our position of noncompliance was upheld.

"After Boeing lost the legal battles, it attempted to accomplish the same result by changing its method of allocating taxes. Faced with the prospect of another prolonged battle to resolve an issue that the government had already won, it was decided to summarize the matter in a White Paper signed by both DCAA and the CACO. This paper was sent through DCAA Headquarters to top level DoD officials. DoD Deputy Secretary Paul Thayer contacted Boeing's chief executive officer, and as a result, Boeing reconsidered its proposed change and reached a final settlement with the CACO in which all significant matters were resolved in the government's favor.

"The cost savings to the government as a result of the settlement are approximately $34.1 million over the past 10 years. In addition, further cost savings of about $7.8 million per year will result each future year.

"I was advised that you [each auditor received the letter of appreciation] were one of the many auditors who had a part in moving this matter to its successful conclusion; I want to personally commend you for a job well done. The professional ability and dedication of auditors, such as you, on this issue has reflected most favorably on DCAA."

The DCAA Auditors Involved and Present Duty Location

Boeing Resident Office
James N. Heyel, Edward F. Nelson, Christi Lang and Pat Ong

Chicago Region
Robert Hubbard

European Branch
Michael E. Steen

Pacific Branch
George T. Pourchot

Puget Sound Branch
Kent D. Godfrey, Robert A. Adamek, Ronald D. Sabado, Sally A. Dunn, Kenneth J. Hornstein and William J. Main

San Francisco Region
Max J. Bokelman and Miles M. Larson

Seattle Branch
Lewis A. Emmons and Dennis C. Peterson

Wichita Branch
Gordon Parsons, James D. Bisbee, Ivan Pechanec, Frederick R. Vaughan, Karen J. Schmidt and Jana M. Woodruff

Retired
Bertold Bodenheimer, Robert J. Kamerling, Dean L. McPhaden and Howard E. Yarnell

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"The chief virtue that language can have is clearness, and nothing detracts from it so much as the use of unfamiliar words."

Hippocrates

DCAA in the land "Down Under"

By George T. Pourchot
PLA, Melbourne, Australia Suboffice
Pacific Branch

Gd'ay! Imagine you're downtown on a **footpath** and pass a **kiosk, chemist, milk bar,** and **newsagent** on the way to a store that sells **roobars.** It's January, about 40 degrees C , and the sun is crossing against the northern sky. Can you guess where you are? If you said Australia, then **good-on-ya, mate,** for you're Down Under in the land of kangaroos, koalas and Olivia Newton-John.

DCAA is in the land "Down Under" because the Commonwealth of Australia is buying several sophisticated U.S. fighter/attack aircraft for its Royal Australian Air Force through a U.S. foreign military sale. The acquisition provides for Australian Industry Participation (AIP), a program directed toward developing the country's industry to support the aircraft and provide overall technological enhancement.

At the heart of AIP are the subcontracts placed between Australian firms and U.S. prime contractors and subcontractors. The U.S. and Commonwealth governments have agreed that Australia's Financial Services Section (FSS) will perform AIP contract audit services, on behalf of DCAA. Our role Down Under, then, is one of procurement liaison with a special emphasis on providing guidance to FSS in the application of DAR and CAS.

What about FSS, our counterpart in Australia?

Unlike DCAA, this group is decentralized into five state offices. About 70 auditors comprise FSS with six individuals dedicated to AIP. They perform almost the same services as we do but not necessarily on the same scale and not in the same proportions. For example, most of their work relates to final pricing under "price variation" clauses (similar to economic price adjustments under fixed price orders). While DCAA is guided by FAR and CAS, FSS cites "Standard Conditions for the Determination of the Costs of Contracts," Australia's version of DAR, Section XV.

What's Australia like? It's the largest island and the smallest continent in the world. In an area about the size of the continental U.S., Australia is divided into six states and two territories; Victoria, New South Wales, Queensland, Southern Australia, Western Australia, Northern Territory and Australian Capital Territory. Canberra is the nation's capital.

The land ranges in variety from tortured red desert to lush rainforest to some of the most spectacular coastal scenery in the world. In most areas it is mild in winter months and very warm to hot in summer. By the way, summer Down Under occurs at the same time as the American winter; seasons are the opposite of those in the northern hemisphere. In another reversal, you'll find automobiles keeping to the left side of the road so **LOOK RIGHT** before stepping off the curb.

Australia's most valuable natural resource is its people. Despite the image people may have of a sunburned, rugged individual in a floppy hat who roams the outback, Australian society is one of the most urbanized in the world with four out of five (of the 15 million) people living in cities. It's hard to describe the typical "Aussie," but a good place to start is with his colorful language. English is the written and spoken language, of course, but there's an expression or two (and an accent) that can be confusing to the newcomer.

In Australia, a **jumper** is a sweater, a **rug** is a blanket and sales people ask **"Are you right?"** instead of "May I help you?" And if anything, no matter how serious, goes wrong, the response is ALWAYS **"no worries, she'll be right, mate."** Americans have their own style too because it doesn't take long (about one-half a sentence) before the locals figure out there's a "Yank" in town. This discovery often leads to a U.S. geography lesson and lengthy discussion on the Battle of the Coral Sea, Disneyland, gangsters, cruise missiles or the America's Cup.

Aussies are also known for their egalitarian spirit, characteristics of which are friendliness, hospitality and a genuine concern for others. This was clearly displayed last year during the droughts, bushfires and floods when the people united, literally overnight, to provide relief to the many affected.

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You'll find the same enthusiasm in leisure activities. For example, sport is more of a passion than a pastime. When not out sailing, surfing, fishing, golfing or playing tennis, the Aussies are **barracking** for their favorite at a cricket match, a horse race, or a **footy** match (nothing like American football, **fair dinkum**).

These and other unique features of Australia and its people make this an enjoyable overseas tour. It's an interesting opportunity offered by our Agency and one that will contribute to the "Thunder Down Under" in April 1985 when the first Australian-assembled fighter/attack aircraft roars over Melbourne.

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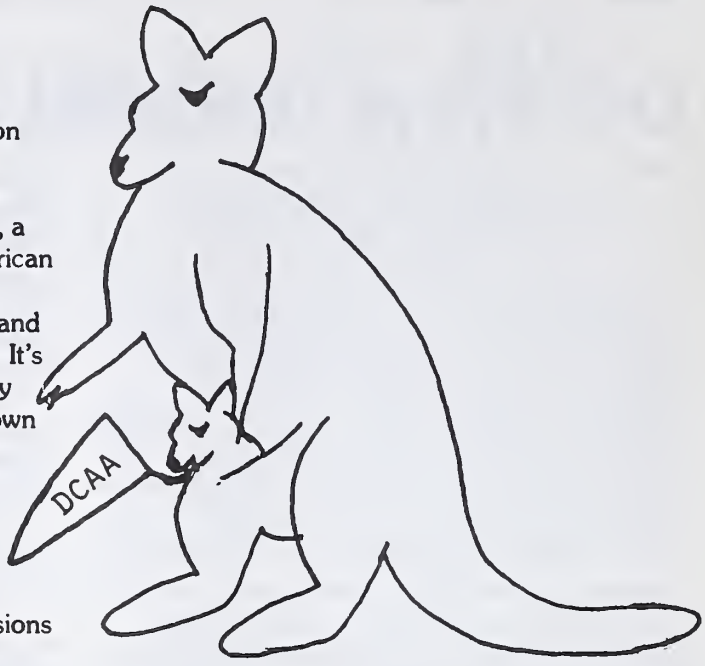

Here's a glossary of terms in case the expressions are not exactly self-explanatory:

Australian	American
Gd'ay (somehow said as one syllable)	**Good day**
Footpath	**Sidewalk**
Kiosk	**Snack bar**
Chemist	**Drugstore**
Milk bar	**Delicatessen**
Newsagent	**Book and magazine store**
Roobar	**Vehicle protection against damage from hitting a kangaroo**
Good-on-ya	**Congratulations**
Mate	**Friend**
No worries, she'll be right	**Don't worry, everything will work out**
Barrack	**Cheer, as for a team**
Fair dinkum	**Telling the truth**

Agency participates in flat-rate per diem test

The Department of Defense per diem travel and transportation allowance committee has recently implemented a flat-rate per diem test for military and civilian personnel of the Defense Logistics Agency (DLA) and 10 Air Force activities. Since all DCAA personnel are serviced by DLA disbursing centers, we are also participants.

During the test, individuals on travel duty receive a set per diem amount and then must manage their lodging, meals, and other travel-related expenses accordingly. The plan eliminates preparation of actual expense statements and submission of commerical lodging receipts.

The test began in February and will continue through September 1985.

Auditing in the Republic of Korea

By John E. McPherson
Auditor
Pacific Branch Office, San Francisco Region

On Oct. 10, 1982,as I packed my briefcase for my first assignment at a Korean Construction Contractor, I was a little apprehensive as to what to expect.

Will I be able to communicate with the contractor's people? Will they give me the information I need? What kind of Accounting System will I encounter? What if they don't cooperate?

With briefcase in hand, I got into the taxi with my little map and was on my way. The taxi driver knew the general location of the contractor, and I soon learned that I didn't need to find them. They found me.

As the taxi neared the building, I noticed three or four Korean businessmen in their customary company furnished jackets waving our vehicle down. The door was opened for me, my briefcase was taken and the introduction cermonies began. We then went to the executive director's office for a formal introduction and, as custom insists, a visit to the offices of all top directors and the president.

Since I was anxious to get started, I asked if they had a conference room where we could discuss their proposal. A conference room indeed. In a large room normally reserved for the Board of Director's meetings, I sat down at the oversized mahogany table with eight Koreans staring at me. The Korean auditor who assists in interpreting accounting records informed me that the eight people were engineers, accountants, purchasing personnel, the managing director and the program manager and were there to assist in whatever we needed. This is normal, I was told.

Cooperation was the least of my worries. Each time I made notes and/or calculations, I found eight pairs of eyes suddenly peering over my shoulder. Once I finished my writing, everyone returned to his respective seat in an orderly fashion. But as I made another calculation the eight peering eyes returned to my side - unique experience in itself.

Although I have encountered many unique experiences auditing in Korea, the audit approach of the DCAA auditor here is only slightly different because most accounting systems of Korean contractors are comparable to those found in the U.S. Initial adjustments had to be made because of different business practices and varying degrees of business ethics.

However, once I began to understand the relationship between the Korean business firms and the Korean government and its relationship with the U. S. Government, for which it does business, the necessary adjustments were easily made. Although Korean national auditors are available to assist in interpreting conversations with contractor personnel and translating accounting records, all Korean businesses working with the U. S. government have one or more representatives capable of understanding and speaking English.

". . . the audit approach of the DCAA auditor here is only slightly different because most accounting systems of Korean contractors are comparable to those found in the U.S."

On each assignment, it is imperative to assess the contractor's internal controls, verify the proposed cost data to the appropriate accounting records, with the assistance of a Korean auditor, analyze financial statements to determine appropriate overhead rates, and, in some cases, provide advice to the contractors who are not fully aware of the purpose of and the data required for a DCAA audit. In many cases, the DCAA auditor must use his/her judgment and make necessary adjustments to normal audit procedures because records maintained by contractors may not represent adequate accounting data under GAAP.

During my tour here, I have found that a close relationship with the local procurement office is vital in the day-to-day work of the auditor. Unexpected problems arise because many contractors are not familiar with U. S. procurement standards, the need for submission of cost or pricing data and other requirements. In such cases, it is important to detect discrepancies early, coordinate with the contracting officer, and resolve such problems to avoid delays in the procurement process.

I consider my tour here in Korea to be a worthwhile

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and very challenging one. As previously stated, the business environment here presents unique challenges to test the ability of the auditor to adapt to unusual audit circumstances. However, the basic mission of the DCAA auditor is no different than that of a stateside auditor.

A WIFE'S VIEW

By Mrs. John E. McPherson

For the past 16 months my husband, a senior auditor, myself and our four children have been living in Seoul, South Korea. You may be wondering why anyone would want to live in another country, especially a developing one like Korea. In fact, that was just the reaction we received from most of our family and friends.

We had certainly looked over our share of DCAA job announcements, but South Korea really seemed to spur our interest. My husband had previously been stationed in Kunsan while in the Air Force and had often talked of Korea and how friendly the Korean people were. So, because of a little adventurism born in both of us and my curiosity, we applied for the transfer. After a month of waiting, our excitement began to fade, then came the call: we were going to Seoul!

With all our good-byes said, we took off not really knowing what to expect. Having two school-age children, one toddler and another baby on the way we were a little apprehensive about what kind of facilities we'd find. As it turned out, our fears were unwarranted. The DoD schools were comparable to public schools stateside. Also, to our relief, the hospital was adequately equipped and staffed with qualified doctors.

At first, I was impressed with how modern downtown Seoul was and how fast the country was moving onward and upward. It was just like any other city, but as I began to explore and look beyond the buildings at the people, I found many differences.

Custom and culture play an important part in the Koreans daily lives and thinking. As I learn more about them, I can understand what at first seemed odd to me.

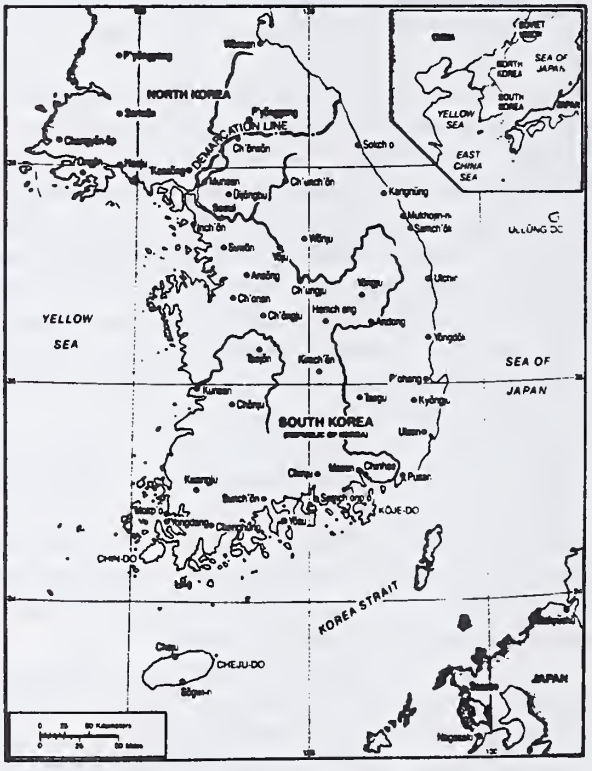
At times the language barrier can be frustrating, especially when you are trying to tell a taxi driver where you want to go. But, between their English and our Korean we can usually communicate. If all attempts fail, there is always someone who speaks English eager to help.

As with every housewife, shopping is a necessity and there is no place more fun to shop than the markets. I could spend days there just browsing, if I had the time. However, you don't want to spend too much time in one place because there is so much to see and do. The USO and Recreation Center are always offering tours and various classes. So far, we've had the opportunity to see many Korean temples, palaces and shrines, go hiking in the mountains and, last December, take a ferry to Japan.

I'm still getting used to the different kinds of food and learning how to use chopsticks, but at least the waitress doesn't run to get me a fork anymore.

There are times when I get homesick, of course. When I do, I just stop and think: I haven't seen everything I want to see yet, I haven't done everything I want to do yet. I'm not ready to go home now.

Looking back over these past months at what I've learned and experienced and how my understanding of other people has grown, I can honestly say I wouldn't have missed this opportunity for the world.



A budgeteer's work is never done

By Jerry King
Budget Analyst, Manpower and Budget Branch
Headquarters

Prior to FY 1984 (Oct. 1, 1983) the two words **"Hire Up"** were usually preceeded by "when can we." Unfortunately, much more is involved in manpower management than calling out "Hire Up." The process, from requesting additional ceiling through getting the auditors on board, is explained here.

A primary function of the Manpower and Budget Branch is to acquire and maintain resources needed to support DCAA's audit mission. If one thinks of the budget arena as one involving intense competition for resources you may have hit upon a grain of truth.

Notwithstanding this, we prefer to believe that by using "informed strategies" our manpower and funding needs are justified and evident. As a matter of fact, the most recent increase of 400 auditors was an initiative originating with Senator Howard Metzenbaum of Ohio who wanted to further the government's fight against fraud and waste.

The request for additional auditors was first presented in the FY 1984 Program Objectives Memorandum (POM) in April 1982. Although it wasn't approved, had it survived this cycle, it would have been included in the OSD budget in August 1982 and again in the President's Budget in January 1983. Then this request would have gone through the budget cycle once again for the FY 1985 budget. Senator Metzenbaum's initiative was inserted in the FY 1985 President's Budget. Only after Congress and the President approved would the resources be appropriated.

During the FY 85 budget cycle (Aug 83-Jan 84), we only lost one ceiling point (our net increase was 399) but the funds supporting this increase were in a constant state of flux. Not until January 1984 did we have our final funding so we could determine our funded workyears to "hire up." Not knowing the total funding for the fiscal year already in process does complicate budget execution.

Even prior to receipt of final funding Headquarters was busy trying to distribute the 399 positions. The Workload and Trends Analysis Division (OWD) spent many hours in analyzing the agency workload and proposed a spread of the 399 to organizing items using the projected workload. This proposal was presented and discussed during the December Director's Conference. Although I did not have the privilege of being involved in this exciting event, the end result was the approved spread of the 399.

Now the ball was back in the Budget Branch's court. First the Personnel Authorization Vouchers (PAV's) were changed to reflect the increase. The letter accompanying the PAV's only authorized hiring of auditors, as was dictated by Congress. The letter also requested a revised Table of Authorized Strength (TAS) and any requests for high grade ceiling.

Upon receipt of each region's TAS and high grade request, the Civilian Personnel Policy Branch (CPP) and CFB reviewed each request. Once the review was complete and blessed, CFB provided revised PAV's (to reflect high grades) and TAS's to the activities. Next we needed to update the Automated Personnel Inventory System (APIS). This involved reviewing each authorized position and making necessary changes. These were loaded in the system and a trial run was made. In fact, the trial run has just arrived on my desk with a love note saying there are minor glitchs.

The fun isn't over yet. Congress has yet to enact the Program Supplemental and the Pay Supplemental which will provide funds for the increased payroll in the fourth Quarter. We must prepare options for each possible contingency in order that management can provide a smooth running operation. A budgeteer's work is never done.

Most irritating habits

Two Georgia State University professors asked 370 entry-level employees and first-line supervisors to name the most irritating habits of their supervisors. Here's the top five:

- "Rarely or never compliments me on a job I think I've done well."
- "Acts as if he/she knows it all."
- "Procrastinates on problems."
- "Makes impractical suggestions."
- "Passes the buck."

DCAA who? Let them know!

By Stanley Wenger
Resident Auditor
San Francisco Region

How many times have you been asked the question, "Who do you work for?" and then attempted to explain what DCAA is all about to someone unfamiliar with the Agency? If many people haven't heard of DCAA, we might just be missing a chance at hiring some of the best auditors/accountants available.

At the Hughes Tucson Resident Office we considered this possibility and decided to kill two birds with one stone by accepting the challenge of Mr. Bernard Topf, our San Francisco Regional Director. In a December 1983 memorandum he asked us to inform qualified acquaintances that DCAA is currently hiring, and to publicize DCAA as to who we are, what we do, and what exciting, rewarding careers are available with the Agency.

While reading some publications by the Tucson Federal Women's Program Interagency Council, we found that this organization was planning a Government Opportunities and Information Fair at Tucson. The event was to consist of workshops and sessions on professional topics and job information booths for the general public from 8 a.m. until 5 p.m. Seizing upon this opportunity, we contacted the program coordinator and reserved a 6 foot table and three chairs.

Since we had never participated in such an endeavor, we had to use our ingenuity to develop something interesting and attractive. So, we made two posters highlighting our agency name, type of career field, and a summary of DCAA's duties. In addition, we headlined the booth with the "400 new positions DCAA has open nationwide" (of the 11 agencies represented, none had anywhere near as many openings). We also pointed out to the attendees the job variety we have in our assignments, such as proposal, incurred cost, termination, operation audits, EDP audits, and defective pricing reviews.

Staffing duties throughout the day were shared by Rudy Oritz, our recruiting supervisor, Janet Bruce, Gerri Ponist, Anita Froehlich, and Ceal Miggins of our staff. During the day we provided fact sheets to all interested persons, and for those specifically interested, we handed out a package consisting of an SF 171, OPM Form 1203-J, Qualifications Information Statement for Auditors/Accountants, and the addresses of the six Regional Personnel Offices.

Our booth was a tremendous success. We were visited by more than 250 curious people, 95 percent of whom had never heard of DCAA. To more than 60 people, we explained our function and gave out employment information. In addition, the booth was a starting point, in that we met and talked to people from the University of Arizona and Pima Community College and discussed possible DCAA participation in future job fairs sponsored by their organizations.

Also, in our "get them while they're young" category, a teacher from a local high school asked about having an auditor visit her school and talk to the business classes about government auditing and accounting as a career (Rudy Ortiz is following up on this request).

At this time it's too early to know if our efforts will pay off. However, we're going to continue with our recruiting publicity drive and hope we will be able to inform prospective employees that DCAA presents an opportunity for an interesting and fulfilling career, and is interested in hearing from and hiring qualified people. As we said above, we're new at this, so if anyone has any suggestions for recruiting, please let us know.

New personnel manual out

DCAAM 1400.1, Personnel Management Manual, was revised and reissued in April and replaces the March 1967 edition through Revision 172. Future revisions will begin with Revision 1.

Overcoming the obstacles

By Evelyn A. Schaefer
Senior Auditor
Oklahoma City Branch Office
San Francisco Region

Introduction

There I was just minding my own business, never dreaming my whole life was about to change gears. One day my boss approached me and asked, "Have you ever thought about sitting for the CPA exam?" "Certainly," I said, "but that was 10 years ago." "Well, what's wrong with now?" he asked.

My reply to that question was spontaneous. I was able to rattle off a whole list of excuses, enough to make any boss satisfied that his goal for me was unreasonable. Subconsciously, I had them memorized for years. "Well," I said, "In the first place, I am not qualified. I only have 29 hours of accounting to my credit and I have never had auditing. I have been out of school for 15 years. I did not work at all or even read a *Journal of Accountancy* for 10 of the last 15 years. In order to qualify, I would have to take three semester hours of auditing. If that is not enough, I would also have to attend a formal CPA Review Course."

"So why don't you do these things?" my boss asked. "We can request DCAA to reimburse you."

"That would be a good deal for some people," I said, "but I travel over 50 percent of the time. Besides, I have two small children and a handicapped husband. Then, there is my own physical limit. I have glaucoma and cataracts. It is all I can do to put in the eight hours a day required to provide the basic necessities of life. My eyes cannot stand the additional strain that would result from the required studies."

That conversation took place two years ago. Since that time, I have done things I never dreamed of accomplishing. I sat for the exam within seven months of that first conversation. I am not ashamed to say I failed all four parts. The whole experience taught me what I needed to do to pass. It is a great honor to pass all four parts the first time, but for me it would have been an honor to pass anything the first time.

With Auditing and Law now to my credit, I am awaiting the results of my fourth exam. I have reasonable expectations of making a high score in Theory and some hope of finally passing Practice. However, if the news is bad after this exam, I will sit as many times as I am permitted.

The main thing to remember is that there is no disgrace in failing the exam. The fact is that, on the average, 75 percent of the candidates fail any given exam. If you fail you are just one of the crowd. It is like riding a horse: "If you fall off, you've got to get right back on." If you have the unfortunate experience of failing, examine the reasons, and benefit from those mistakes by concentrating on those areas in the future. You have everything to gain and nothing to lose.

Making the Decision

As professional accountants, you must have made the decision at some point in your career to: try to obtain the certificate; delay the attempt to a later point in your career; or bypass the opportunity altogether. This article is aimed at the auditor who has made the decision not to try, has procrastinated in starting the effort, or has made an attempt to obtain the certificate and failed. In this case, the word "attempt" means even the slightest try, such as investigating the requirements of your state, only to conclude you are underqualified. To have made any attempt at all indicates an inner ambition to become a CPA.

For the procrastinator, there is little to say except to remember there are always obstacles. Within yourself you have made the decision to try but you have not yet made the commitment necessary to follow through. Once you have launched your career, started a family, etc., the temptation to "put off" becomes easier with time. The reasons are very real. Your life has become more complicated and the longer you wait, the more "catching up" you will have to do in order to receive that passing grade. Soon it becomes easier to fall into the category of those who decide to bypass the opportunity. Only you can make the necessary commitments. Identify your particular obstacles, decide how you will overcome or eliminate them, and go forward with determination in mind.

For those of you who have tried and failed or decided not to even try, take a minute to

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examine the reasons. Each individual will find his/her own set of obstacles. The obstacles can range from a lack of ambition or lack of self-confidence to seemingly unsurmountable, physical or financial limitations. The point is, that you must find a way to overcome each obstacle in an organized and rational manner. Do not be quick to lump them all together in your mind and then conclude they are unsurmountable. Approach them in a systematic manner. First, make a list of those obstacles. Second, rearrange the list, placing obstacles in the order of the least to the most difficult to overcome. Finally, write down what you think it would take for you to overcome each obstacle. Remember, "lack of ambition" is included in the general category of obstacles.

Once you have your list prepared, discuss it with someone else (perhaps your peers, your supervisor, or your family). Share your ideas. Listen to their ideas. Chances are you will find a solution for each obstacle.

Examine these solutions carefully. If you have many obstacles, decide whether or not you are willing to make the commitment. Think of the rewards as assets and the obstacles as liabilities. If the assets outweigh the liabilities, the scales are tipped in your favor. GO FOR IT.

The Decision is "GO FOR IT" Now What?

First, obtain the State Board of Accountancy rules and regulations for your state. Examine them closely. Some states require both advanced degrees and experience while others require a lesser degree and no experience. Most states require that you sit for all parts of the exam on which conditional credit has not been earned. Others, such as New Mexico, will allow you to sit for part of the exam. The residency requirements vary, but permission can be obtained to sit for the exam in other than your state of residence. If you meet the requirements, you have overcome one more obstacle.

If you fall short of requirements, determine the reasonable solutions. If the solutions are not readily available, do not panic. You still have a chance to overcome the obstacle. As the old saying goes, "Look first for the horses. If you don't find those, look for zebras." The rules were made to establish guidelines, but rules can be bent and even broken.

If you find a requirement that is "impossible" to meet, yet you feel you are qualified to sit for the exam, you may request, in writing, a special waiver. The State Board will meet and decide each case individually. A member of the Oklahoma Board once told me, "The rules were made to eliminate those not qualified. The rules were not made to make it impossible for those who are qualified." Waivers are difficult to obtain, but they do exist. I know, I was granted one.

Once you have met the requirements, you must make an official application and pay the required fee, usually nominal. DCAA does not reimburse you for this fee, but does allow you administrative leave during examination hours. For me, it was a giant step to receive the "approved" application.

Preparing for the Examination — Evaluate Yourself

For those of you just out of college, this part may seem easy. For those of you who have been out of school more than three years, extensive review may be necessary. There are many acceptable study courses and review aids available. Each candidate needs to examine his/her study habits and weaknesses in technical knowledge in order to decide how to best prepare for the exam. This is a difficult decision and requires a separate commitment in itself.

In the summer of 1983, the AICPA began publishing an outline of examinable subjects for each area of the examination. The outline also provides an approximate weight (chance of occurrence) for each subject. (Specific weights within a given suject are not listed by the AICPA.) For instance, within the subject of auditing, a percentage weight is indicated for Reporting Standards; however, no specific indication is given for possible subjects of examination within this area - such as Review Reports, Compilation Reports, etc. These new AICPA guidelines also state certain assurances, such as the fact that Income Taxes will not be examined under the Theory part but will be examined under Practice. Obtain this outline from your State Board, examine it and idenfity your weak areas. This will help you in determining your personal study needs.

Evaluate your own study habits. If they are strong, a review of your textbooks may be sufficient. For many of you, your habits are probably weak. This will require a more formal study plan. Formal plans range from do-it-yourself study guides to university-sponsored courses to private review courses (short- or long-term). If you decide on a formal course, DCAA

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will, in most cases, reimburse you 100 percent if you make application for reimbursement well in advance of the course starting date. Now that is really overcoming an obstacle!

In return for DCAA's reimbursement, you must sign an agreement to sit for the exam within one year of course completion and to remain with DCAA for a period of at least three times the length of the course for which you are requesting reimbursement. That is not much to ask in return for such an opportunity.

There are "pros" and "cons" to each of the various study aids. They vary in cost, time investment required and quality of technical updates., I cannot offer an opinion on all study aids because I have not participated in all types.

The Becker CPA Review Course was extremely motivating and the technical updates were excellent. The candidate who chooses this study means must be prepared to spend 8-12 hours a week in class (for five months) as well as 2-8 hours per week required to complete the optional homework. I selected Becker because I needed 10 years of updates which I had missed while at home raising my family. I knew sufficient updates would require classroom instruction which Becker offers.

There were drawbacks to Becker because of the time investment and I soon found it impossible to do my homework. I did attend all classes offered in all four subjects and managed to make 65 or above in all four subjects on the exam. By the same token, I managed to fail all four subjects. However, I was not going to give up.

It was true that I had failed everything. But I decided to use this to my advantage, analyze my mistakes and reevaluate my preparation techniques. For each individual the mistakes and technique problems will vary.

My biggest discovery was to realize that Becker had taught me to study only the multiple choice questions which I had missed in class (many questions from prior exams are repeated). I could have kicked myself during the exam when I recognized a problem I had worked in Becker class, guessed correctly at the answer, then never looked at the question again because my answer was correct in my notes. I remembered that I had guessed before at the answer, but could not remember which of the answers I had chosen before. Naturally, I had to guess again. How did I correct this error? The answer was simple. If I guessed at an answer when studying, I noted so on my paper. When correcting my paper, I looked up the rationale to all the questions at which I guessed, whether I answered them correctly or not.

The next exam, I passed Auditing, but nothing else, yet all my grades improved. Something still had to be done in order to pass the whole exam.

My realization at that point was that I was spreading myself too thin. I decided to concentrate on Auditing and Law (since they are birds of a different feather) and hope I made the required minimum for Practice and Theory. I needed to get conditional credit on something - anything - so I could then concentrate on the other. Well, that approach worked for me and I passed Auditing and Law.

I then purchased Gleim and Delaney (available at your local bookstore). I made index cards, concentrating on the weakest areas. The weaker the area, the more time I allotted for study in that area. As time went on, I moved the more familiar subjects to the back of the stack and elaborated more on the cards for the weaker areas. As the date for the exam approached, I found myself feeling confident about the back 500 cards, still doubtful about the remaining front 25. Right before the exam, those last 25 cards were all I studied. For me, it beat carrying tons of notes and big books around. In a way it was a "forced form of studying" because I had to read the subject matter once to familiarize myself with the material. Making my own notes on cards meant I went over it a second time. From then on any card was referred to anywhere from 1 to 20 times depending on my familiarity with the subject. Where I went - the cards went.

This time, my fourth sitting, it may have worked. My grades will tell. If it did not, I will try again. After all, failing may hurt for a minute, but I know it will not kill me. I will just get out the books, make some more cards and try again, and again, and again.
What's holding you back?

NOTE: Ms. Schaefer passed Practice and Theory in the last exam and now has passed all parts of the exam. The system outlined in this article worked for her and might be helpful to you.

Watch for the July Bulletin's salute to DCAA employees

A microcomputer experiment

By Elizabeth J. Moore
Auditor
Peninsula Branch Office San Francisco Region

Having little DCAA experience and absolutely no experience with microcomputers, I felt apprehensive when told that I had been selected to participate in the portable computer evaluation project. *(See Bill Kraft's article in the February 1984 issue of The Bulletin.)* However, my fears soon disappeared and my level of enthusiasm and confidence rose as the project progressed.

My first contact with a microcomputer was in January during a one-week training course in San Francisco. During the training session, I became familiar with my computer, the Hyperion, and various software packages. I originally questioned the portability of the machine, but, with the aid of an airline travel cart, I managed to get around just fine. Software training included Multimate (a word-processing program), Multiplan (an electronic spreadsheet), dBase II (a data base management system), and the In: Touch communications package. Participating FAOs also received a high speed, wide carriage Epson FX 100 printer.

Following the formal training, project participants were to spend a month using the software and tutorial packages to gain proficiency with our computers. Anxious to get started, I tutored myself by writing an audit report using Multimate. Before my involvement with microcomputers, I questioned the merit of auditors typing their own audit reports. However, working in a mobile environment with low budget audit hours and an office policy requiring assignments be submitted to the supervisor one week before the due date, I can see some definite advantages.

First, the supervisory auditor reviews a neat typed draft report and it takes only minutes to incorporate any changes before printing the final audit report, eliminating the need to submit a completed assignment one week before the report due date. Secondly, when subsequent reports require few changes, I can electronically "cut and paste" a draft report.

Various spreadsheets involving lengthy computations and supporting details can be linked together and rolled up into an Exhibit A. The advantage of linking spreadsheets is to automatically transfer data from one spreadsheet to another. Any change made to a supporting schedule will be automatically included in all linked spreadsheets and the Exhibit A. The supporting spreadsheets can be used as workpapers and/or audit report schedules. Multiplan performs tedious and time consuming calculations with speed and accuracy.

No project is complete without a modern communications network system. Our project has two. Infoplex, an electronic mail system, operates through CompuServe's timeshare system. Project participants use this system to exchange ideas, point out problem areas, and make suggestions. In addition, each computer is equipped with a built-in modem and communications software package. The computer communications system allows us to access CompuServe, to communicate with other microcomputers and to extract data stored in the contractor's computer.

Applications can be further enhanced through software integration. Using Multiplan, I prepared a spreadsheet calculating recommended labor rates based on DRI's forecasting factors and merged the resultant spreadsheet into the Multimate prepared audit report. Workpapers and the draft and final audit report, including supporting schedules, were prepared using the microcomputer.

I admit some applications took more time using the computer than if done manually. This was due to my not being proficient with the software and not being able to judge when a computer application was beneficial. However, I have learned from my mistakes. I realize the computer is not suited for all audit applications and will not totally replace seven column paper and the pencil.

I am not a computer expert, but in only a few short months I progressed from a computer illiterate to someone who can walk into a computer store without feeling intimidated. More importantly, I can see the benefits of using microcomputers in our audit environment and I have access to a powerful audit tool whose usefulness will continue to increase as my proficiency increases.

Key personnel actions

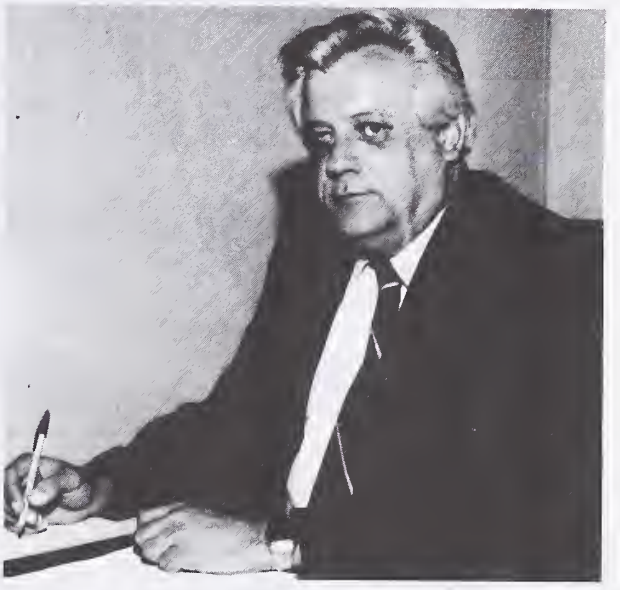
Bourne

James C. Bourne was recently promoted to branch manager, Houston Branch Office. Before that, he was one of the branch's supervisory auditors.

Since starting with the Agency, he has held several positions in the Atlanta Region. Before coming to DCAA, Bourne was an auditor with the Department of Housing and Urban Development.

He has a B. S. degree from the University of Southern Mississippi and is a Certified Internal Auditor. He is program director for the Houston Chapter of the Association of Government Accountants. He has received several awards and letters of commendation during his career.

Michel



Gerhard C. Michel was recently selected to serve as branch manager at the Santa Ana Branch Office, Los Angeles Region.

Michel began his federal career as a GS-7 with Air Force Audit, Los Angeles Branch in October 1962 and then transferred to DCAA at its inception in 1965. He has served as a supervisory auditor at both the San Gabriel Valley Branch Office, Pomona, Calif., and Rockwell International in Anaheim.

Michel received a B. S. degree from California State University, Los Angeles and is a CPA.

Graham

Richard C. Graham has been promoted to resident auditor, Litton Systems Inc.

He began his DCAA career in 1968 as a student trainee in the Van Nuys Branch Office. He seved as staff auditor, senior auditor and supervisory auditor at the Van Nuys Branch before transferring to Litton Data Systems Division in 1983, where he served as auditor-in-charge.

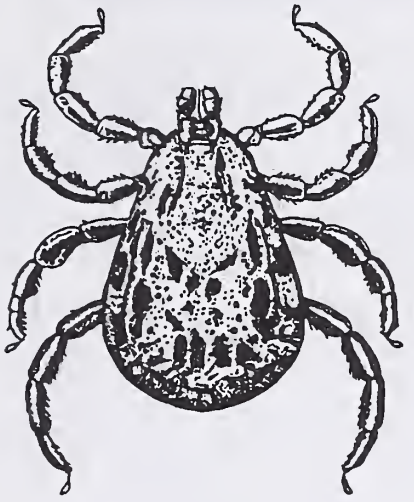
Graham recieved a BS degree in accounting from California State University, Northridge. During his career he received QSI and SSP cash awards and several letters of commendation. He has been a CPA in California since 1973.

Kuchinskas

Richard Kuchinskas has been named resident auditor at Ford Aerospace and Communications Corporation, Newport Beach, Calif. He started with DCAA in 1973 at Hughes Aircraft in Fullerton and has also served as an auditor at the Los Angeles and Inglewood Branch Offices, and as a supervisory auditor at Ford Aerospace and Rockwell International, Space Division.

Kuchinskas received his BS degree in Accounting from UCLAS and an MS degree in accounting from California State University, Long Beach. He is a California CPA and a member of AGA, Orange County Chapter.

Join the Payroll Savings Plan



Don't Let It

BUG YOU!

Rocky Mountain spotted fever, usually a springtime-summertime disease, may result from the bite of a wood tick. The American Public Health Association says that people who play or work outdoors in wooded areas should always use insect repellant, and that if ticks are found on the skin, they should be promptly and carefully removed. Observe these pointers:

- **Use a slow, steady pull to remove a tick, taking care not to crush it or leave its head embedded and venom in place.**
- **Use tweezers if you have them. Heating the tweezer tips, or dipping them in alcohol or phenol, will cause the tick to loosen its grip and make detachment easier.**

DCAI Lending Library — diamond in the rough

By Robert M. Pohto
Auditor, Cleveland Branch

As the Agency's responsibilities continue to grow, the auditing function will have to be handled by auditor's who are better trained to deal with complex issues. As individuals we must show initiative, enhance our ability and skills, and prepare ourselves for these increasing responsibilities.

Attaining a CPA certificate and/or master's degrees are two of the more well known ways of enhancing one's skills. However, books are still the most convenient lowest priced form of continuing education available, and with books you control how, when, and where you study.

We in DCAA are fortunate to have the lending library at DCAI as a means of enhancing the skills we have already acquired through formal education. To quote the forward of DCAAP 1421.2: "This is your library. Become familiar with its contents and use it. As you grow professionally, so does the Agency."

This article is presented as an invitation to all employees to take advantage of the DCAI lending library and to promote suggestions for its improvement.

For those employees unfamiliar with the library, it is located at the Institute in Memphis, and houses a multitude of books which are classified using the Dewey Decimal System. A complete listing of available books can be found in DCAAP 1421.2, which is periodically updated to reflect new material. A list of the current subject areas is shown below in order to familiarize you with the library's general contents.

Accounting and Auditing
Automatic Data Processing
Communication (Written and Verbal)
Education and Training
Graphics and Charts
Management (General)
Mathematics
Office Management
Social Sciences
Statistical Analysis (Including Improvement Curve)

And, the library contains more than books -- it's also indexed in DCAAP 1421.2. A training film profile can be requested from DCAI.

However, the vast knowledge the library contains is of little value unless you know how to get at that knowledge. Books can be checked out through the mail or in person. Requests for books should be directed to the Registrar, DCAI, and should include the call number, title, and author.

Find a million dollars!

By Steven G. Binns
Auditor, Puget Sound Branch
San Francisco Region

That's right! One million bucks! Cold hard cash! Maybe even more!

In the right circumstances you can do it. All you need to do is review an escalation billing on a **mature** or **nearly completed** multiyear contract which contains an Economic Compensation Adjustment Clause.

"Ah ha," you say, "I audited an escalation billing once and just don't see how there can be those kinds of bucks involved. This guy's all wet!"

Wait, don't write me off yet. At one FAO alone, recent escalation billing reviews have resulted in questioned costs worth more than $8 million. One of the contractors involved has already agreed with the finding and submitted a billing adjustment (including interest at applicable U.S. Treasury rates). Another contractor also agrees that the government has been over-billed and disputes only the amount. One other point to be made here is that the money saved in escalation payments is a true, realized savings to the government.

Now that you're alert and ready to dazzle everybody, there are a few things to keep in mind. First, these audits need not be complicated, complex, or particularly difficult. Second, you do not need to use any unusual or innovative audit techniques. Third, these audits can become exciting as they progress.

Now that's out of the way, let's look at the audit approach. The actual audit is really quite simple and consists of performing three basic steps.

- Understand the intent, operation, and interrelationships of the Economic Compensation Adjustment Clause, Progress Payment Clause, and any special or modifying contract clauses.
- Understand exactly what policies and procedures are used by the contractor to compute escalation billings.
- Analyze the contractor's policies and procedures in light of your contract clause interpretations, using your (i) common sense and auditor's instincts, (ii) knowledge of DAR cost principles and definitions, and (iii) analytical skills to determine how the government may have been overbilled and by what amount.

STEP 1 - READ THE CONTRACT

That's right—you must read and understand those contract clauses. In fact, I recommend that you read the entire contract. This includes reading all contract modifications, too. I have found instances where clarifying and/or modifying clauses were included in sections of the contract totally unrelated to the contract financial clauses.

Furthermore, just because you read an escalation clause once, **do not** assume that you know what the exact terms and conditions are for any specific economic compensation adjustment clause. These clauses vary from contract to contract and often do contain subtle differences which ultimately yield significantly different billable amounts. For example, three contracts awarded to one contractor contained escalation clauses which all appeared to be the same during the first reading. On closer examination, the clauses were all different. Listed below are some of the differences.

	Contracts		
	1	2	3
1. Escalation Billed on a Per Unit Basis Escalation Billings on a Unit Cease on Delivery of the Unit	Yes	Yes	No
2. Escalation Billed are Capped as to the Indices to be Used on a Per Unit Basis	No	Yes	No
3. Escalation is a Factor in Progress Billing Computations	No	Yes	Yes
4. Nonrecurring Charges are to be Allocated Over All Units Under Contract	No	Yes	Yes

Again, read and understand the contract clauses. Reading the contract may be boring and will seem unproductive. It can be a confusing and frustrating experience because many of the clauses are poorly written. However, it must be done, because the knowledge gained here will be the foundation for the rest of your audit. Therefore:

DO NOT SHORTCUT THIS STEP!

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Professional activities

HEADQUARTERS

Helen C. Reynolds, secretary, DCAA, has been elected president of the Northern Virginia Chapter, Professional Secretaries International.

Mary Graves, operating accountant, HQ, was awarded a degree in Master's of Business and Public Administration from the Southeastern University, Washington.

Fred J. Newton, assistant director, Policy & Plans, HQ, spoke on "Contract Cost Accounting & AGA FMSB Activities" before Austin & San Antonio Chapters of the Association of Government Accountants as well as speaking on "Government/Contractor Relations" before the Long Island, NY, Chapter of the Association of Government Accountants.

BOSTON

Irvin E. Arnold, Auditor at Hazeltine Suboffice, Farmingdale Branch, was elected assistant treasurer (officier) of the Board of Director's, Association of Government Accounts.

Dale T. Doody senior auditor, at Bath Iron Works, Boston, was awarded Master of Business Administration, from New Hampshire College.

Edward Donahue supervisory auditor, Boston Branch Office, was a guest instructor at the University of Massachusetts on the "Impact of DAR/FPR Cost Principles on Small Firms."

John H. Shutts senior auditor, General Electric Ordinance Systems, Pittsfield, MA, spoke before NAVPRO Technical Personnel on "Review Procedures for Contractor's Proposed Direct Material."

Patricia K. Fair, auditor, General Electric Co., Pittsfield, MA, spoke on "DCAA Review of Proposed Shop & Engineering Labor" before Navy Technical Personnel.

Warren C. Schaefer, supervisory auditor, GE Pittsfield Suboffice, MA, spoke to NAVPRO Technical Personnel on "Review of Quality Control Labor."

Richard Hague senior auditor, GE, Pittsfield, MA spoke before Naval Technical Representative on "Allocability of Costs to Cost Objectives, Direct and Indirect Costs."

CHICAGO

Kenton R. Owens auditor in charge, Binghamton Branch Office, IBM Suboffice, NY, spoke before the New York Southern Tier Chapter, National Contract Management Association, on "Get Smart" Education Workshop on "Federal Government Contract Auditing."

David F. McCormick, senior auditor, Singer Suboffice, Binghamton, was elected vice president of "Education & Professional Development," for Binghamton Chapter, National Association of Accountants.

William E. Smith supervisory auditor, Columbus Branch, Rockwell Suboffice, was awarded a Cerfified Cost Analyst.

Jack D. Whitford, regional audit manager, Chicago Regional Office, was elected president of the Chicago Chapter, Association of Government Accountants.

Earl J. Newman, branch manager, Buffalo Branch Office, NY, spoke on "The Puritano Initiatives" before Western New York Chapter of the National Contract Management Association.

PHILADELPHIA

Julie V. Bryant, auditor, Newport News Resident Office, published an article entitled "Proposed: A New Statement of Changes" for management accounting.
Michael G. Davis, auditor, Silver Spring Branch, was awarded the CPA certificate in Maryland.

Joyce L. Deaver, clerical assistant (typing), DCAA, Baltimore Branch Office, passed the AICPA Level 1 examination in the state of Maryland.

Lawrence V. King, auditor (trainee), Silver Spring Branch Office, was elected committee member of the Young Members Activities Committee, Maryland Association of Certified Public Accountants.

James H. Street, Jr., supervisory auditor, Capital Branch Office, was awarded a degree of Master of Arts in Management & Supervision, from Central Michigan University.

LOS ANGELES

Nancy L. Allen, auditor, Ford Aerospace, Newport Beach, CA, was awarded a certificate for passing the CPA examination in March of 1984.

Michal J. Kerestes, auditor, Lockheed California Co., Burbank, passed the Certified Internal Auditor examination, March 1984.

Michael N. Hodges, supervisory auditor, Rockwell International, Downey, passed the CPA examination in November 1983.

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—from page 23

Robert T. Fichteiman, auditor, San Diego Branch Office, held a seminar on "What is the DCAA and the Audit of Construction Contracts" before Naval Facilities Engineering Command, Western Division.

Nathan Lokos, auditor (trainee), Lockheed CA Co., passed the CPA examination in November of 1983.

Steven E. Paul, supevisory auditor, San Fernando Valley Branch Office, was elected president of AGA, San Fernando Valley Chapter.

Tomoko Hassel, auditor, San Fernando Valley Branch Office, was elected chairman of AGA, San Fernando Valley Chapter.

SAN FRANCISCO

Teri M. Aprill, auditor, Boeing Seattle Resident Office, spoke at the University of Puget Sound, Tacoma, WA, on "The DCAA Challenge - Career Opportunities at DCAA."

Pamela G. Henderson, auditor, Boeing Seattle Resident Office, spoke on "The DCAA Challenge -Career Opportunities at DCAA," at the University of Puget Sound, in Tacoma, WA.

Robert S. Keri, resident auditor, Martin Marietta, Denver, is speaking to the senior accounting class at Bear Creek High School on "Government Career Presentation."

CASH

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STEP 2 - THE CONTRACTOR'S POLICIES AND PROCEDURES

Whew! Through with that stuff; now on with the fun part of the audit. Find out what policies and procedures were developed by the contractor to cover escalation computations and billings. Talk to the billing clerks and the "number crunchers" to find out exactly how the escalation billing amounts are computed. Have them show you how the billing is prepared and get them to lead you through the whole process starting with the source documents.

Be alert when performing this step! Take enough time to compare the contractor's actual practices to your interpretations of the contractual requirements. Document **any** differences you find between the contractor's policies and procedures and your contract interpretations. Discuss these apparent differences with the contractor and vigorously pursue any explanations given by the contractor which do not make sense. By doing this you may find:

- The contractor's method is incorrect and an overbilling has occurred.
- The contractor's method is compliant with the terms of one contract and noncompliant with another.
- The contractor has contractual authority you are unaware of, allowing the use of an apparently deviant method.

STEP 3 - ANALYSIS

Your homework is done (Step 1); your field work is complete (Step 2); and now it's time to pull it all together. Step 3 should be a "piece of cake." Since you have properly documented your findings as you performed your audit, all you need to do is monetize the results of audit and write your report.

This is where your analytical skills, common sense, DAR knowledge, and auditor's instinct come into play. As you summarize the results of audit and find that an overall overbilling has occurred, you may also find that the total amount overbilled is the result of several conditions which are interactive on each other. That is, when the amount for one condition changes, another amount (or even several) may change correspondingly. Therefore, you must analyze the impact each condition has on the others.

Listed below are some of the more significant conditions which might exist:

- The contractor has continued to bill escalation even though the contract ceiling and/or price has been exceeded.
- Billings are being submitted against delivered units even though escalation billings for a delivered unit are supposed to stop when the unit's delivered.
- Allocations of common materials for all units are being manipulated between units to increase the escalatable costs on undelivered units.
- Material transfers between contracts are recorded at no cost. This results in no contract cost adjustments and effectively prevents the contractor from repaying previously billed escalation.
- Undisclosed changes are made in the billings computation methods which benefit the contractor but are not in accordance with the contractual requirements.

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